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SUBJECT: FRENCH SUPPORT FOR IRAQ COMPACT, IRAN SANCTIONS

Classified by A/DCM Thomas J. White for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Treasury Deputy Secretary Kimmitt met with the French April 26 to discuss Iraq and Iran. Officials remained positive about the Iraq Compact's goals, but were unable to confirm ministerial participation at the Compact launch due to French elections. On Iran, both of the presidential candidates have spoken in equally strong terms, so officials predict France will maintain its hard line on sanctions. END SUMMARY

POLITICAL DISCUSSION AT THE MFA

¶2. (SBU) Participants in the meeting included:

MFA

Gerard Araud, MFA Deputy Secretary General & Director General for Political Affairs and for Security;
Jean-Pierre Guinhut, Special Coordinator for Iraq;
Francois-Xavier Carrel-Billiard, Counselor, Office of the Minister;
Philippe Leglise-Costa, Deputy Director, Directorate of Economic Affairs;
Gilles Bonnaud, Deputy Director, Directorate of North Africa & Middle East;
Bernard Chappedelaine, Desk Officer, Directorate of North Africa & Middle East;
Nicolas Kassianides, Desk Officer, Directorate of UN & International Organizations;
Phillipe Errera, Deputy Director, Directorate of Strategic Affairs, Security and Disarmament;
David Bertolotti, Desk Officer, Directorate of Strategic Affairs, Security and Disarmament.

USG:

The Deputy Secretary of the Treasury;
DCM Tom White;
TFCO Otto Van Maerssen (notetaker);
PolOff Rob Waller.

¶3. (SBU) Treasury Deputy Secretary Robert Kimmitt met in Paris April 26 with Gerard Araud, Director General of Political Affairs at the MFA, to discuss the way forward on Iraq, and Iran sanctions.

IRAQ

¶4. (C) Kimmitt thanked the French for their participation to date in preparing the International Compact for Iraq. He encouraged ministerial representation at its launch in Egypt on May 3 (even if by a minister other than the foreign minister), given the expected attendance of multiple Iraqi ministers (oil, finance, planning, etc.) and ministers from most Preparatory Group countries. Araud said that Ambassador Guinhut would

attend, but getting a French minister would be very difficult given the current electoral campaign. He promised nevertheless to pass Kimmitt's suggestion (that any minister would do) to the political level for consideration.

15. (C) Kimmitt urged France to be in a position to endorse support for the ICI, since it represents Iraq's transition over the next 5 years from receiving development assistance to receiving investment flows, thereby tapping its wealth for the benefit of all Iraqis. He also encouraged France to support EIB involvement in Iraq projects. Araud remarked that the EU has already committed 1.8 billion euros, and is providing budget support. The USG can rely on the EU. Guinhut noted that the real question is not one of support, but of the security situation. Kimmitt countered that the strategy in Iraq now more explicitly links security operations to rebuilding, and Iraqi officials are closely engaged in all such operations. He encouraged greater French contribution to Iraq.

IRAN

16. (S) Kimmitt noted the importance of Europe continuing to take the lead to contain Iran's nuclear ambitions, given the existence of ties to Iran that the U.S. lacks. He noted that the USG is moving away from broad country sanctions to targeted measures against illicit conduct involving terrorism and proliferation. UN action against Iran appears to be having a political effect within Iran. Nevertheless, the USG remains concerned about Iranian banks, including its central bank.

17. (S) Araud said USG pressure on French banks runs close to foreign interference, but said that he expected Kimmitt to get a stronger reaction from the French Treasury on that point. (Note: In fact, per septel the French Treasury did not raise the issue. End note.) He provided a frank readout about a split in views

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within the MFA: the economic bureau is concerned about risk to the banking system, but the non-proliferation bureau is quite happy with the USG approach because it has been effective. Araud commented that the French Assistant Secretary for Mideast Affairs visited Tehran a week ago, and had heard many in the business and political establishment saying that President Ahmadi-Nejad is crazy, and that Iran may soon be obligated to ration gasoline if it does not change policy.

18. (S) Araud noted that French banks have reduced their exposure in Iran. The GoF is reducing its guarantees of export credits by 20 percent, and intends to keep trending down. Bank activities have been halved in one year, dropping from 6 to 2.7 billion euros of exposure. France cannot leave overnight, especially since companies like Total have interests in selling refined products. Iran is important to Total, and Total is important to France. Araud remarked that the Iranian Ambassador has been visiting French banks to encourage them to return to doing business with Iran, but that has led nowhere. The political directors will meet in May to discuss the way forward. Araud does not think there is much systemic risk to the banking system if other banks are targeted. He assured the Deputy Secretary that France is committed to a third resolution should

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it prove necessary, although every step gets more difficult, especially with China.

19. (S) Araud mentioned concerns in France about a new U.S. Iran Sanctions Act, and said that France has asked that it be raised at the next U.S.-EU meeting. It is important to hit Iran, not each other, he said. Kimmitt acknowledged the concerns, and said he intends to continue advocating targeted sanctions as the most effective way forward.

110. (S) Kimmitt raised the issue of export credits, signaling that he hopes to continue a dialogue. Economic Affairs Deputy Director Leglise-Costa said he had seen reports of the OECD ECA meeting, where the proposal to adopt a common line was not

enthusiastically welcomed. In France, however, in addition to the reduction in credit guarantees, export credit controls include a requirement that firms acknowledge their obligations to perform due diligence regarding their Iranian customers and the nature of any transaction.

¶11. (S) Kimmitt commented that the French may see a change in the Chinese position on Iran sanctions, given their expanding commercial banking interests in the U.S. market. Araud confirmed that the French have sensed a stiffening, which they attributed to the Chinese (and Russians) becoming fed up with Iranian intransigence. He concluded that since both presidential candidates have made tough statements about Iran, French policy will remain the same after the elections.

¶12. (U) The Deputy Secretary cleared this message.

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